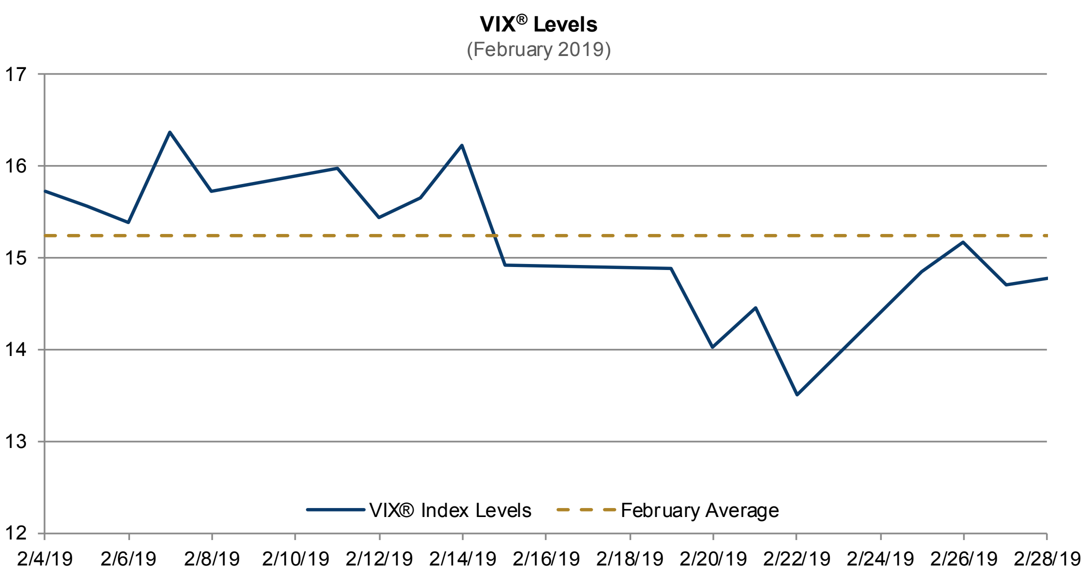
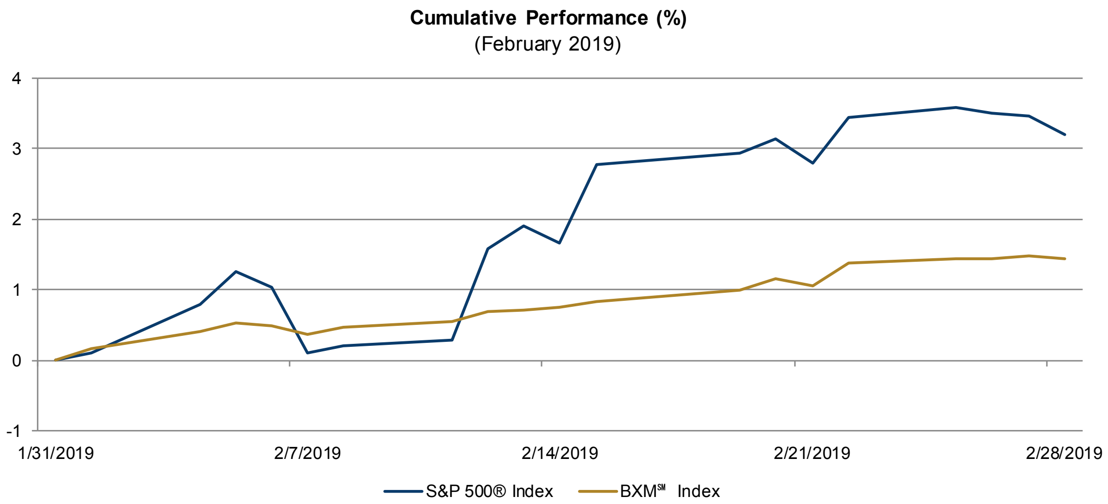
The S&P 500® Index advanced 3.21% in February, continuing a rally that started after equity markets approached bear territory near the end of 2018. From its closing value on December 24, 2018 through the end of February, the S&P 500® Index has returned an impressive 18.91% which ranks as the sixth strongest market rally of the last 30 years.

Investors struggled to find any concerns during February as the Federal Reserve maintained a slightly more dovish stance, corporate earnings growth remained solid and the economic effects from a prolonged government shutdown seemed negligible. Gross Domestic Product growth during the fourth quarter of 2018 came in at 2.6%, at the high-end of consensus estimates. Aggregate operating earnings for S&P 500® Index companies grew 3.0% in the fourth quarter, 24.4% year-over-year, with over 75% of companies meeting or exceeding analyst estimates. The employment report for January, released on February 1, was outstanding with non-farm payroll growth far exceeding expectations. The unemployment rate ticked up slightly, to 4.0% in January, with the participation rate increasing to 63.2%. The January Consumer Price Index, released on February 13, showed a 1.6% year-over-year increase which aligned with expectations.

Implied volatility, as measured by the Chicago Board Options Exchange (Cboe®) Volatility Index (VIX®), averaged 15.23 for the month. This level was nearly double the 8.19% realized volatility (standard deviation) of the S&P 500® Index. Moreover, the greater than 7-point spread between the two statistics was nearly two times the average monthly differential. VIX® opened the month at 16.14, peaked at 16.37 on February 7, and closed the month lower at 14.78. The low point for the month was 13.51 on February 22.



The Cboe® S&P 500 BuyWrite℠ Index (the BXM℠) had a return of 1.43% for February, bringing its year-to-date return to 4.91%. The BXM℠ underperformed the S&P 500® Index by 178 basis points (bps) for the month primarily due to the equity market's rapid advance significantly outpacing the return potential from premiums collected by the BXM℠ when it wrote index call options on January 18 and February 15. The BXM℠ collected a premium of nearly 2% in January when it wrote its index call option with February expiration, but most of the return potential provided by the premium received was realized during the market's advance in January. Thus, the BXM℠ began February with little market exposure and a small amount of unearned call premium, resulting in a return of 0.74% from the beginning of the month through February 14, while the S&P 500® Index returned 1.67%. On February 15, the BXM℠ wrote a new index call option with March expiration and received a premium of 1.28%. This premium helped the BXM℠ return 0.69% from its closing value on February 14 through month-end, but lagged the 1.52% return of the S&P 500® Index over the same period.



Fixed Income Markets

The Bloomberg Barclays U.S. Aggregate Bond Index declined 0.06% in February, bringing its year-to-date return to 1.00%. The yield on the 10-year U.S. Treasury Note started the month at 2.69%, rising slightly from its January close of 2.63%, and ended the month even higher at 2.72%.

IMPORTANT INFORMATION

Sources: Morningstar Direct℠, Bloomberg, L.P. **Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.**

The Cboe® S&P 500 BuyWrite℠ Index (the BXM℠) is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the index includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the Friday of the standard index-option expiration cycle and holding that position until the next expiration.

For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com/insights.